

Microsoft Submission to the Productivity Commission

Five Pillars of Productivity Inquiries

Microsoft appreciates the opportunity to contribute to the Productivity Commission (the PC)'s interim reports of the five pillars of productivity inquiries. We welcome the PC's focus on actionable reforms to deliver meaningful and measurable improvements to Australia's productivity and living standards.

At Microsoft, we believe that general-purpose technologies—from the PC to the Internet to cloud computing—are key to boosting productivity, strengthening digital resilience, and fostering inclusive economic growth. With the advent of generative AI as the next big general-purpose technology, that belief is only reinforced as we see the incredible opportunities that it will realise for a prosperous and sustainable future for Australia. Across the country and the world, we see AI-driven digital transformation reshaping industries, unlocking new opportunities, and helping communities adapt to change. But succeeding in globally competitive digital markets requires a commitment to both technological innovation and adoption spanning across the five pillars of productivity. That is why we offer our views in this submission in support of that vision, drawing on more than 40 years' experience operating in Australia to help to empower governments, businesses and communities to achieve more.

In this submission, we have focused our feedback on the interim reports on Harnessing Data and Digital Technology and Building a Skilled and Adaptable Workforce, but we have also offered some targeted feedback on the other interim reports.

1. Harnessing Data and Digital Technology

Microsoft welcomes the PC's analysis of technology and AI's potential to underpin a new wave of productivity growth. Early studies cited by the PC show that AI could significantly lift Australia's productivity growth. This aligns with the Tech Council of Australia's research estimating AI adoption could add as much as \$115 billion to Australia's GDP each year and 200,000 new jobs by 2030.¹ For Australia to succeed in the competitive global AI landscape it will require a commitment to excellence in both innovation and adoption, involving the development of advanced capabilities within Australia's industry and startup sectors as well as promoting widespread AI integration throughout the broader economy.

To achieve this, we support the PC's draft recommendations to enable AI's productivity potential and to expand data access, in conjunction with additional action from Government to establish a National AI Skilling Partnership to equip an AI-ready workforce (see further section 2 below), prioritise policies that enable Australia's national AI infrastructure (see further section 3 below), and accelerate digital government by boosting public sector productivity.²

¹ [Generative AI could contribute \\$115 billion annually to Australia's economy by 2030 - Tech Council of Australia](#)

² [Unlocking the productivity dividend of digital government](#)

1.1 Enable AI's productivity potential

Realising AI's potential in Australia requires a supportive policy environment that encourages innovation while managing risks. Microsoft is supportive of the PCs draft recommendations to enable AI's productivity potential. For example, the availability of public protein databases have led to the development of high-performance profile sequencing models.³ Powered by data access, AI-driven research has led to breakthroughs for which two Nobel prizes were awarded in 2024.⁴ In our experience, these benefits hold particularly true in Australian services and care sectors, where AI is already being used to enhance efficiency while creating more space for the personal connections underpinning these industries. Some recent examples include:

- In **healthcare**, Australian company [Annalise.ai](#) delivers AI-enabled medical devices to over 1,000 hospitals globally. Annalise.ai was able to rapidly validate their lung cancer detection tool using UK NHS datasets in just 6–8 weeks. Its solutions help radiologists analyse x-rays and CT scans to identify potential pathologies including lung cancer and stroke.
- In **aged care**, Microsoft has partnered with Gadali Group and Ability First Australia (**AFA**) to create an app that helps frontline workers automate notetaking and streamline information flow between caregivers across shifts. This technology helps enhance continuity of care while easing the admin burden across AFA's network of not-of-profit disability service providers comprising over 30,000+ staff supporting 92,000+ Australians with complex disabilities.
- In **education**, Australia has led the way with one of the world's most ambitious AI rollouts across 78,000 students and 13,000 staff at 146 [Brisbane Catholic Education](#) schools. This initiative has reduced teacher workloads by 9+ hours a week on admin tasks, searching for information, and lesson and curriculum planning and boosted teacher recruitment.

Microsoft has long-supported a proportionate, risk-based, and outcomes-focused approach to AI regulation built on Australia's existing legal frameworks. In particular, we agree that Australia's established laws and regulatory agencies (for example, in privacy, consumer protection, safety, and anti-discrimination) are an appropriate and effective first line of defence to address AI-related risks. We further agree that it is important to first conduct a comprehensive review of current laws and future reforms. This includes considering the efficacy of both the layers of existing economy-wide and sector-specific regulations as well as ongoing reform processes in overlapping areas including privacy, consumer protection, cybersecurity, and online safety. This recommendation for a gap analysis promotes legal certainty which, in turn, creates an environment that encourages businesses to invest in, develop, and adopt AI technologies.

We agree with the PC's recommendation that new, AI-specific regulations should only be considered to fill clear gaps if existing frameworks cannot be adjusted to mitigate high-risk harms from AI. In addition, there is a significant opportunity to help organisations from across the public and private sectors understand how to operationalise their AI governance obligations

³ Stanford University, [AI Index 2025 Annual Report](#), p285.

⁴ Stanford University, [AI Index 2025 Annual Report](#), p286.

under existing laws and Australia's Voluntary AI Safety Standard. Rather than adopting a burdensome regulatory regime or neglecting the foundational importance of AI governance, several comparable jurisdictions are relying on technology-neutral, sector-specific frameworks while introducing mechanisms such as AI testing services, assurance sandboxes, and practical guidance to make compliance more actionable. For example:

- i. The United Kingdom's Financial Conduct Authority is [launching a live AI testing service](#), allowing firms to work with the regulator to confirm their AI tools are deployment-ready. The United Kingdom has also launched [a strategy to grow its domestic AI assurance market](#), aiming to build capability in tools and techniques that measure, evaluate, and communicate the trustworthiness of AI systems. This positions AI assurance both as an economic opportunity and a means of enabling widespread adoption across sectors.
- ii. [Singapore's AI Assurance Sandbox](#) provides a testing environment where developers and deployers of generative AI applications can engage specialist technical testers, including for industry-specific regulatory compliance. Singapore is also lowering barriers to compliance by publishing practical resources such as the [Starter Kit for Safety Testing of LLM-Based Applications](#). This reflects a recognition that driving responsible AI adoption and diffusion requires diving deeper than obligations and standards toward supporting their operationalisation in practice.

Australia should also promote and incentivise transparency—a fundamental principle of AI governance recognised in both Australia's AI Ethics Principles and Microsoft's Responsible AI Principles. By joining the Hiroshima AI Process (HAIP) Friends Group, Australia has already signalled support for the HAIP Comprehensive Policy Framework, including its Reporting Framework, which enables organisations to voluntarily disclose their AI governance policies and safeguards through a standardised OECD tool. Australia could adapt this framework into a local voluntary transparency scheme, building on initiatives such as the NAIC's Responsible AI Index 2025 to foster shared learning, highlight best practices, and signal the trustworthiness of participating companies. At Microsoft, we are deeply committed to transparency across a range of initiatives, including releasing detailed transparency notes, technical reports for each model we develop, and our [2025 Responsible AI Transparency Report](#). We have also published our Responsible AI Standard v2 along with our Impact Assessment Template and our Responsible AI Impact Assessment Guide.

Building on existing regulatory frameworks, as in the UK and Singapore examples above, is the approach that best reflects that we are still at the very start of a long-term technology shift with AI. Technology-neutral regulatory frameworks are likely to have the greatest longevity and adaptability for a technology that is evolving rapidly and avoids creating an additional layer of regulatory duplication. In addition, our existing regulators have a wealth of expertise in their domains that can be leveraged to prevent and address harms from AI systems.

1.2 Clarifying Australian copyright law

Microsoft acknowledges the significant role that copyright plays in fostering Australia's creative and knowledge-driven economy. We recognise that, for over a century, Australian copyright and intellectual property laws have been required to evolve alongside technological advancements, balancing the interests of rights holders with the potential for innovation. Historical examples such as the photocopier, VCR, smartphone, and search engine illustrate how technological developments have prompted important discussions regarding the preservation of rights holder

autonomy, while also facilitating the emergence of new creative sectors across Australia and expanding markets to existing creators. Currently, we are once again facing a pivotal technological juncture with the advent of AI.

As the PC has found, data access and use drives growth and value in the digital economy⁵ and Microsoft agrees that Australia stands to benefit significantly from greater access to data to unlock greater diffusion and adoption of data-driven AI technologies. As illustrated in the examples in section 1.1 above, greater access to data can foster new innovations, underpin new business models, and create export opportunities in the global data economy.

Realising Australia's data opportunity requires targeted reforms in our legal and policy frameworks around data use. To that end, Microsoft supports clarifying the operation of the *Copyright Act 1976* (Cth) in relation to digital and AI technologies, including following the lead of jurisdictions like the EU, Japan, and Singapore by introducing clear Text and Data Mining (TDM) exceptions to enable data analysis of publicly available data including AI and machine learning developments while, at the same time, continuing to protect expressive works. In the UK, for example, a recent study has estimated that introducing a commercial TDM exception has the potential to attract £0.8bn-£1.8 billion more in AI investment in a single year, equivalent to 20-40% increase.⁶ It also found a commercial TDM exception to have broader impacts on increasing investment in other sectors including scientific and academic research, legal and financial analysis, and healthcare and pharmaceuticals.⁷

But we also believe that choice and control are important elements of any copyright framework, whether or not it contains a TDM exception. This is particularly true for the news media and creative sectors. Proven, practical, standardised and user-friendly rights reservation mechanisms can be developed within legal frameworks that contain a TDM exception. Since 2023, Microsoft has offered online publishers specific controls to manage how their works are used with AI, including allowing news publishers to remain discoverable in search but opt-out of having their content used to train generative AI models. Microsoft also excludes sources with paywalls and domains found to engage in or facilitate copyright piracy.⁸ We have also invested in granular controls built on the widely adopted Robots Exclusion Protocol (robots.txt) as well as on standardised controls through an Internet Engineering Task Force working group.

Australia stands to significantly benefit within the global AI economy given its comparative data advantage derived from its robust public datasets, skilled workforce, thriving research ecosystem, and strong and stable legal system. Targeted data reforms can further boost the potential of local AI-driven innovations in the Applications layer of the AI tech stack, enabling local industries to compete on a global stage where AI and Machine Learning workflows are driving productivity and attracting investment. But, ultimately, decisions about Australia's copyright framework, including whether to introduce a Text and Data Mining (TDM) exception, are for government to make, weighing the trade-offs between enabling innovation and

⁵ PC Exec Summary, p1 <https://www.pc.gov.au/inquiries/current/data-digital/interim/data-digital-interim-summary.pdf>

⁶ Computer & Communications Industry Association, [New Research Shows the Importance of Copyright and AI Regulation to UK Investment](#), 6 June 2025.

⁷ Computer & Communications Industry Association, [New Research Shows the Importance of Copyright and AI Regulation to UK Investment](#), 6 June 2025.

⁸ I.e. all domains listed in the Office of the United States Trade Representative Notorious Markets for Counterfeiting and Piracy list.

protecting creators' rights. To that end, with thoughtful reform, Australia can unlock the value of its data advantage while continuing to uphold the integrity of its copyright system.

1.3 New pathways to expand data access

We strongly support the PC's objective of improving data access and use across the economy. We agree with the interim report's finding that the potential benefits of data sharing remain untapped in Australia. Improving the ability to access and use data can unlock benefits across all sectors of the economy.

Microsoft welcomes draft recommendation 2.1 to establish lower-cost and more flexible pathways to expand basic data access for individuals and businesses. Expanding data-sharing initiatives in ways that are underpinned by robust security and privacy protections promotes local AI innovation in and beyond the Australian tech sector. We strongly support enhancing data access and data portability to foster new Australian AI applications.

As recommended in the interim report, this may be achieved by improvements to the Consumer Data Right or by sector-specific regulatory pathways to facilitate data access and sharing. We also recommend amending the *Data Availability and Transparency Act 2022* (Cth) (**DAT Act**) to facilitate the sharing of public datasets with trusted parties, including in the private sector, noting the DAT Act is separately under ongoing statutory review led by Commissioner Stephen King.

In our view, a healthy data ecosystem is best achieved by being as open as possible with data and incentivising voluntary data sharing. Voluntary approaches to data sharing are encouraged by enabling organisations to derive value from the outcomes that they can achieve through data sharing, by combining shared data with publicly available data in order to derive new insights, enable new business models and improve services.

1.4 Supporting safe data access and use through outcomes-based privacy regulation

We believe that privacy is a fundamental right and an enabler of digital innovation. Microsoft has long supported robust and internationally interoperable privacy laws. As outlined in our submissions to the Privacy Act Review, we welcome many of the Government's reforms that aim to give Australians greater control over their personal information and align Australia's privacy framework with global standards.

We support the PC's focus on the need to balance regulatory burden with additional benefit for individuals. As a global technology company, Microsoft is already fully compliant with the EU's General Data Protection Regulation (GDPR) and was one of the first to roll out its key protections to all our customers worldwide.

From our perspective, it is important that the draft recommendation to introduce an alternative compliance pathway to the Privacy Act does not impact existing obligations or require changes to APP entities' established compliance practices. In addition, we continue to advocate in favour of privacy reforms to achieve greater global alignment to support not only international companies wanting to do business with and in Australia, but also local businesses wanting to

grow, trade, and compete internationally. These are discussed in more detail in our submissions to the Privacy Act Review,⁹ with a summary of our key positions below:

1. **Introduce the controller/processor distinction:** This would clarify roles and responsibilities, reduce compliance ambiguity, and align Australia with global norms.
 2. **Adopt a legitimate interest framework:** This three-part test (lawful purpose, necessity, and balancing of interests) is well understood internationally and provides a structured, transparent basis for data use without relying solely on consent.
 3. **Update definitions of personal information and de-identified information:** These changes would provide important clarifications to the scope of data protected under the Act and bring Australia's framework into closer alignment with global standards.
- iii. **Enhance regulator engagement and resourcing:** Greater consultation and clearer guidance from the OAIC would improve compliance certainty and foster innovation, particularly in emerging areas such as AI.

However, Microsoft cautions against the draft recommendation that Australia does not incorporate a right to erasure in its Privacy Act update. We support the rights of consumers to control their own data and we were the first company to apply consumer rights under the GDPR, including the right to erasure, globally. Data deletion has long been one of the core consumer rights and is present in almost all existing data privacy laws. Further this protection can already be limited by the controller under the GDPR to circumstances when processing the data is necessary (1) for exercising freedom of expression and information (2) to comply with existing legal obligations, (3) for reasons of public health, (4) for archiving in the public interest or for scientific or historical research and (5) to exercise or defend against legal claims. Microsoft believes this flexibility strikes the right balance in allowing consumers to have legal certainty in circumstances when data deletion is meaningful to them, while still allowing controllers the flexibility to meet business necessity.

2. Building a skilled and adaptable workforce interim report

At Microsoft, we believe in advancing AI by putting people first. This means that a top priority is to build a skilled and adaptable AI-ready workforce across the economy. AI is already reshaping jobs and the skills required in industries from manufacturing to finance. According to the World Economic Forum's Future of Jobs report, 59% of the global workforce will need new digital skills by 2030.¹⁰ By acting now, Australia can avoid a widening skills gap and support more equitable and inclusive access to the new opportunities created by AI.

At the same time, the potential benefits of building skills and qualifications for a more productive workforce are significant. AI has the potential to create an estimated 200,000 new jobs in Australia by 2030, which would require a 500% growth from current AI workforce levels.¹¹

⁹ [Microsoft Response to Privacy Act Review – Discussion paper - Attorney-General's Department - Citizen Space](#)

¹⁰ World Economic Forum, [The Future of Jobs Report 2025](#), 7 January 2025.

¹¹ Tech Council of Australia, Microsoft, LinkedIn and Workday, [Meeting the AI skills boom](#), 2 July 2024.

2.1 The best resources to improve school student outcomes

To equip the next generation of Australians with the skills, knowledge, and tools to thrive, Microsoft strongly supports the PC's draft recommendations to lead national efforts to ensure equitable access to education technology (edtech) and AI. Microsoft is pursuing this mission globally through the Microsoft Elevate Academy, which will help bring AI education and skills to people around the world and advocate for public policies to advance AI education and training for others. In the next two years, the Microsoft Elevate Academy will help 20 million people earn an in-demand AI skilling credential ranging from foundational fluency to advanced technical training.¹²

In Australia, generative AI is already proving to be a transformative tool in the education sector, enhancing student learning outcomes, improving equity for students with diverse learning needs, and significantly saving time for educators and staff. There are already several State and Federal initiatives pioneering responsible, secure, and innovative AI adoption in the education sector, positioning Australia as a global centre of excellence in AI-enabled education. For example:

1. [Brisbane Catholic Education](#) has rolled out Microsoft 365 Copilot for 12,500 educators and support staff across its 146 K-12 schools, with encouraging early results showing teachers saving over 9 hours a week on admin tasks, searching for information, and lesson and curriculum planning.¹³
2. SA Department for Education and Microsoft have partnered to develop [EdChat](#), a secure generative AI platform for schools custom built for teaching and learning and centred on student safety and data privacy.¹⁴
3. NSW Department of Education and Microsoft have partnered to develop [NSWEduChat](#), a secure generative AI assistant designed to support teachers with lesson planning, curriculum alignment, and administrative tasks.¹⁵ The trial has found that NSWEduChat has allowed teachers to enhance their AI skills and digital literacy as well as giving teachers more time to focus on personalised learning and student interactions, with plans to expand NSWEduChat to all staff across the department.
4. [Education Services Australia](#) has partnered with Microsoft to provide a free online professional learning module to help teachers unlock valuable personalised learning opportunities for students with the safe and effective use of AI in schools.¹⁶

And yet, these initiatives demonstrate only a fraction of the generative AI's potential. While these are excellent examples, there remains considerable scope to scale responsible AI adoption nationally and ensure equitable access across all school systems. This will require national coordination and investment, teacher training and support, equitable access to

¹² Brad Smith, [Microsoft Elevate: Putting People First](#), 9 July 2025.

¹³ See further Microsoft News Centre, [Brisbane Catholic Education to deploy Microsoft 365 Copilot to 12,500 educators and support staff, in largest rollout for K-12 globally](#), 19 November 2024.

¹⁴ South Australia Department for Education, [EdChat – the department's generative AI chatbot](#), 14 March 2025.

¹⁵ NSW Government – Education, [NSWEduChat](#).

¹⁶ Education Services Australia, [Training for teachers boosts confidence in safe and effective AI use in classrooms](#), 30 May 2025.

enterprise-grade AI tools, and appropriate governance and standards. Microsoft is committed to continue working with Governments on realising the transformative benefits of generative AI technologies across the education ecosystem to benefit both teachers and students.

2.2 Building skills and qualifications for a more productive workforce

Microsoft agrees with the PC's finding that rapid technological advancement makes participation in post-secondary education and training more important than ever. And we welcome the PC's recognition of the many benefits of work-related training, which increases the skills of employees already in the workforce, boosting wages and productivity. Both are especially true in the AI economy, which is set to transform every sector and will enable workers in a diverse array of roles to achieve more.

Australia must rapidly upskill existing workers in both technical AI competencies and the broader digital skills needed to work alongside AI tools, helping them to adopt and adapt to new technologies. This includes everyone from software engineers and data analysts to frontline employees in fields like healthcare, education, agriculture, financial services, and the public sector.

In addition to the PC's targeted draft recommendations on recognition of prior learning and better target incentives, Microsoft supports increased public private collaboration. A National AI Skilling Partnership would unite governments, industry, education providers, unions and the broader economy to skill an AI-ready workforce across the economy. By formally bringing together federal and state governments, companies large and small, universities/TAFEs and worker representatives, the Partnership would align efforts behind a shared vision and concrete targets for AI skill development. The partnership would be broad based and inclusive, ensuring regional, First Nations, and other under-represented communities have fair and equitable access to AI technology and training resources. There are current models we can learn from, two examples are:

- **[NSW Digital Skills and Workforce Compact](#)** – A pioneering multi-sector skills initiative at the state level, which can inform a national approach. Complemented by innovative state training models like the [Institute of Applied Technology – Digital](#).
- **[UK “Tech First” Program](#)**: The UK Government is partnering with a wide range of industry partners to coordinate an AI skilling partnership with ambitions to train 7.5 million UK workers in essential AI skills.

Many industry players are already investing significantly in AI skilling in Australia. One way that Microsoft is rising to this challenge is through our [AI Skills Initiative](#), a commitment to train 1 million Australians and New Zealanders in AI by 2026 – with a focus on public sector officials, educators, small business employees and not-for-profits.¹⁷ Globally, Microsoft also committed to donating more than AUD 6 billion in cash and AI and cloud technology to K-12 schools, community and technical colleges, and nonprofits to help advance their missions.¹⁸ In Australia, Microsoft has partnered with Telstra and Good Things Foundation on the [Digital](#)

¹⁷ Microsoft News Centre, [Microsoft launches new AI skills program to expand opportunities for Australians and New Zealanders](#), 11 December 2024.

¹⁸ Brad Smith, [Microsoft Elevate: Putting People First](#), 9 July 2025.

[Sisters project](#), harnessing the power of AI to empower women, particularly those from migrant and refugee backgrounds, with digital literacy skills.

2.3 Fit-for-purpose occupational entry regulations

We welcome the PC's consideration of reforms to help more Australians contribute their skills across the Australian economy and urge the PC to examine additional measures beyond occupational entry regulations (**OERs**). As new technologies transform the economy, Australia's skills and training ecosystems, including and beyond our OERs, will need to change and adapt. Where traditional qualification frameworks can be slow to adapt to emerging fields like AI, structural reforms can help make our tertiary education system more agile and responsive to technological change, including to support reskilling of workers transitioning into new roles.

Microsoft supports reforms to training systems that enable them to be more modular, tech-focused, and industry-integrated, Australia can more quickly build the quantity and quality of talent needed for an AI-driven economy. The New South Wales Government's recently established Institute of Applied Technology – Digital (IAT-D) is an industry-partnered training hub focused on digital skills. It offers an example of innovative training models that blend vocational and university learning in a flexible way. A national AI skilling partnership could scale up institutes like the IAT-D at a national level to grow vocational AI skilling nationally.

More broadly, Microsoft is supportive of measures to ensure Australians of all ages and across all sectors have the skills to adopt and develop digital technologies including AI. A skilled workforce is a critical enabler for all other reforms: whether it's implementing AI in government services or running new AI infrastructure, people with the right expertise are required.

3. Investing in cheaper, cleaner energy

Microsoft welcomes the PC's draft recommendations to support a transition to cheaper, cleaner energy and the net zero transformation. We agree that productivity and sustainability objectives should go hand in hand and that investing in clean energy and pursuing net zero can boost efficiency and create new economic opportunities. To that end, we endorse measures to streamline and accelerate the rollout of renewable energy, storage, and grid infrastructure, as recommended in the PC's interim report.

We also support initiatives to drive innovation in clean energy technologies. Continued public and private investment in areas like advanced batteries, hydrogen, carbon capture, and smart grid management will be crucial for reducing the cost of decarbonisation. As a technology company, Microsoft is investing in solutions to improve energy efficiency of data centres and cloud services, and we are sharing our tools for energy analytics and IoT (Internet of Things) with industries to help them cut energy waste.

3.1 Speeding up approvals for new energy infrastructure

Microsoft agrees with the PC's findings that faster approvals would reduce emissions, lower costs for developers, attract investment and make energy cheaper – supporting productivity growth. Governments should look to remove unnecessary bottlenecks in planning and approvals for new energy projects – for example, by standardising and digitising assessment processes, and exploring the use of AI tools to help evaluate environmental impacts or optimise

project scheduling. Faster, more predictable project timelines will lower the cost of adding new clean energy capacity and improve energy affordability in the long run.

Microsoft has seen first-hand the benefits AI can bring to clean energy projects. Permitting is one of the single biggest bottlenecks to deploying clean energy at the speed required. As an example of how AI can speed up approvals for even the most complex and sensitive energy projects, the Idaho National Laboratory is using Microsoft Azure cloud and AI technologies to streamline the nuclear permitting and licensing application process.¹⁹ The Idaho National Laboratory will leverage a Microsoft developed solution to generate engineering and safety analysis reports, which are standard reports submitted as part of applications for construction permits and operating and operating licenses for nuclear power plants. This solution could potentially cut years off the time it takes to approve clean energy projects. This proof-of-concept demonstrates the great potential of AI to speed up application and approval processes for energy projects and transmission infrastructure.

This model is transferrable to other forms of renewable energy where Australia has comparative advantages, such as solar and wind projects, and for broader approval and permitting processes such as for housing.

3.2 Microsoft's commitments to energy and sustainability

Organisations have transformed their approach to digital infrastructure over time. In the past, organisations maintained their own on-premises servers and computing infrastructure. Now, organisations outsource their computing and data storage needs to co-location data centres. These data centres work alongside hyperscale cloud providers to deliver reliable, scalable cloud services worldwide.

Co-location and hyperscale data centres have significantly reduced power consumption by centralising computing, storage, and cooling systems compared to dispersed, on-premises services. Research by Mandala Partners indicates that 2TWh of energy has been saved by hyperscale and co-location. Without them, on-premises services would use 67% more electricity, enough to power 280,000 homes.²⁰

Moreover, Microsoft recognises that industry must play a proactive role in the net zero transformation. Microsoft has made substantial commitments to contribute to an environmentally sustainable future. For instance, we have entered into long-term power purchase agreements (PPAs) for renewable energy in Australia and globally, contributing to new wind and solar projects that increase clean energy supply. We have committed to achieve carbon negative operations by 2030. We have also announced goals to become water-positive for our direct operations by 2030, zero waste for direct operations, products and packaging by 2030, and to remove all carbon from historical operations since Microsoft's inception by 2050.

These commitments reflect our firm belief that pursuing sustainability is compatible with business growth and competitiveness. We encourage policies that incentivise more companies to follow suit – such as facilitating corporate renewable PPAs, modernising electricity networks to handle more renewables, and maintaining a predictable carbon policy framework that

¹⁹ [Microsoft And Idaho National Lab \(INL\) Leverage AI To Transform Nuclear Power Permitting In The U.S.](#)

²⁰ [Empowering-Australia's-Digital-Future---Report_October-2024.pdf](#)

rewards early movers. By aligning private sector efforts with effective government policy, Australia can reduce energy costs, meet its emissions targets, and create new jobs in the clean economy.

In summary, a holistic approach that couples regulatory improvements to speed up clean energy investments with technological innovation and corporate responsibility will deliver a cheaper, cleaner, and more reliable energy system, which is fundamental to Australia's productivity and environmental goals.

4. Creating a more dynamic and resilient economy

Microsoft welcomes the PC's focus on business dynamism as a critical driver of economic resilience and productivity. Australia has a vibrant and diverse tech sector and a strong track record of developing and adapting new technologies as well as launching globally successful tech companies: 2.3% of the world's tech unicorns (companies valued at over US\$1 billion) have come from Australia, eclipsing our much smaller 1.6% share of global GDP. And, as found by the PC, there is considerable scope to accelerate this success further by embracing AI technologies to underpin a new wave of productivity growth.²¹

Microsoft welcomes the PC's draft recommendations to ensure regulation promotes business dynamism, including setting a clear agenda for regulatory reforms, streamlining duplicative regulations, and bolstering high-level scrutiny of regulations to ensure they remain fit-for-purpose.

4.1 Setting a clear agenda for regulatory reform

A dynamic business sector is characterised by high rates of innovation, robust competition, and the diffusion of new technologies across the economy. As previously noted by the Productivity Commission, the diffusion 'of new and established technologies and ideas across the majority of enterprises in the economy represents a significant opportunity to increase productivity.'²²

To support innovation and diffusion, Microsoft welcomes the PC's draft recommendations on improving regulation and regulatory practice to promote business dynamism. We recognise the importance of regulatory reforms that make it easier to start and grow businesses. Establishing clear, innovation friendly regulatory principles, such as technology neutrality, risk proportionate rules, and regular review provisions can provide businesses with greater confidence to invest and innovate.

Microsoft also welcomes the recommendation to identify opportunities for reducing regulatory burdens and to set targets to track progress. We support the Australian Government's commitments in this direction – for instance, the Treasurer's commitment to '*write to regulators across government seeking specific, measurable actions to reduce compliance costs without compromising standards*'.

²¹ Data report, p9: <https://www.pc.gov.au/inquiries/current/data-digital/interim/data-digital-interim.pdf>

²² Productivity Commission, [Advancing Prosperity](#), Volume 5: Innovation for the 98%, 7 February 2023

4.2 Bolster high-level scrutiny of regulations

Microsoft supports stronger scrutiny of regulations to ensure they promote growth and dynamism, including empowering Parliament to assess alignment with national objectives. Establishing an independent Office of Impact Analysis and expanding Parliamentary and external reviews, especially in fast-changing sectors like technology, can help keep Australia's laws efficient and effective. These reforms have the potential to foster a more agile, innovation-friendly regulatory system, supporting Australia's leadership in the digital economy and complementing Microsoft's ongoing partnerships and investments.

5. Delivering quality care more efficiently

Microsoft works across the health and care sectors at both an enterprise and public sector level and provides comments based on its experience here. We agree with the PC that better outcomes in sectors like aged care, disability services and healthcare will both raise wellbeing and free up resources for other parts of the economy. Technology can be an important enabler in this pillar. For instance, AI-assisted diagnostic tools are already helping clinicians to interpret medical images faster and more accurately, reducing backlogs and improving patient care (a notable Australian example is Annalise.ai's solution for radiology, which is helping to address specialist shortages and speed up diagnoses). Telehealth platforms, electronic health records, and assistive technologies for aged care are further examples of digital innovations that can help deliver care more efficiently.

That said, we recognise that many of the draft recommendations in the PC's *Delivering quality care more efficiently* interim report relate to workforce planning, funding models and regulatory reform in the care sectors. We support these structural reforms and defer to healthcare and social services experts on the specifics. Microsoft's perspective is simply that digital tools should be leveraged alongside these reforms wherever possible – whether it be using data analytics to allocate resources in hospitals, or equipping care workers with modern devices and software to reduce admin burdens. Enabling and scaling proven tech solutions in the care sector (while maintaining appropriate privacy and safety protections) will help achieve the dual goals of higher quality and higher productivity in Australia's care services. We stand ready to assist with expertise and technology to support any digital initiatives that align with the PC's final recommendations for this pillar.

Conclusion

Microsoft strongly supports the PC's vision for boosting Australia's productivity through technology, regulatory reform, and skills development. Our submission highlights the need for innovation-friendly regulations, accelerated clean energy investment, and a modern approach to data and AI policy. We emphasise the importance of digital skills as a national priority and encourage inclusive training to ensure all Australians benefit from technological change. In sectors like health and care, we see digital tools as key enablers of efficiency and better outcomes.

By aligning government policy, industry commitments, and workforce capability, Australia can unlock new opportunities for growth, sustainability, and global competitiveness. Microsoft remains committed to partnering with government and stakeholders to help realise these



ambitions, ensuring that digital transformation delivers tangible benefits for all Australians. We welcome ongoing engagement as the PC finalises its reports.